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C O N F I D E N T I A L BANGKOK 11266

E.O. 11652: GDS

TAGS: EINV, TH

SUBJECT: REASSURING FOREIGN INVESTORS: PUBLIC PRONOUNCEMENTS

AND PRIVATE DOUBTS

REF: BANGKOK 11051

SUMMARY: EVEN BEFORE SETTLING INTO THEIR NEW OFFICES KEY MEMBERS OF THE NEW GOVERNMENT HAVE DEVOTED CONSIDERABLE EFFORT TO REASSURING FOREIGN INVESTORS. INDUSTRY MINISTER CHATCHAI CHUNHAWAN, IN AN INTERVIEW WITH THE BANGKOK POST, HIT ALL THE CORRECT NOTES -- CUTTING RED TAPE ON NEW INVESTMENTS, FACILITATING RESIDENT VISAS AND WORKING PERMITS FOR FOREIGN EXECUTIVES, RESTORING LAW AND ORDER. PRIME MINISTER SENI PRAMOT, ALONG WITH MINISTER OF COMMERCE DAMRONG LATTHIPIPHAT, RECEIVED TWO OFFICIALS FROM THE AMERICAN CHAMBER OF COMMERCE AT HIS HOME ON APRIL 22. HE TOO REAFFIRMED THE NEW GOVERNMENT'S DESIRE FOR FOREIGN INVESTMENT. OVER THE NEXT FEW MONTHS THE GOVERNMENT WILL HAVE THE CHANCE TO MATCH WORDS WITH PERFORMANCE. A SENIOR OFFICIAL OF THE INDUSTRY MINISTRY IN A MEETING WITH EMBASSY OFFICERS ALSO ON APRIL 22 SAW SOME PROSPECTS FOR IMPROVEMENT, BUT DOUBTED WHETHER THE NEW GOVERNMENT WAS CAPABLE OF

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CORRECTING THE COUNTRY'S BASIC ILLS. END SUMMARY.

1. IN A SPECIAL INTERVIEW WITH THE BANGKOK POST, PUBLISHED ON APRIL 22, INDUSTRY MINISTER CHATCHAI CHUNHAWAN EMPHASIZED HIS INTEREST IN PROMOTING FOREIGN INVESTMENT IN THAILAND. ACCORDING TO CHATCHAI, THE RESULTS OF THE RECENT ELECTIONS PROVIDE THE BASIS FOR POLITICAL STABILITY AND THE RESTORATION OF LAW AND ORDER. OTHER MEASURES TO PROMOTE FOREIGN INVESTMENT HE FAVORS INCLUDE SIMPLIFYING THE PROCEDURES FOR ESTABLISHING INDUSTRIAL FACILITIES AND EASING THE IMMIGRATION AND WORK PERMIT PROBLEMS OF FOREIGN EXECUTIVES. IN THE INTERVIEW CHATCHAI ALSO TOUCHED ON SUCH SUBJECTS AS ENERGY, CONTROL OF INDUSTRIAL POLLUTION, DECENTRALIZATION OF INDUSTRIES AND IMPROVEMENT OF LABOR-MANAGEMENT RELATIONS.

2. COMMENT. THE PUBLISHED INTERVIEW DID NOT CONTAIN ANY MENTION OF THE MINING INDUSTRY, ONE OF THE KEY RESPONSIBILITIES OF CHATCHAI'S NEW MINISTRY. NEITHER WAS THERE A REFERENCE TO ANY NEW LEGISLATION, SUCH AS THAT ATTRIBUTED TO CHATCHAI IN A NEWSPAPER ARTICLE A FEW DAYS PREVIOUSLY (SEE REFTEL). IN THAT ARTICLE HE WAS REPRESENTED AS FAVORING A NEW LAW TO PREVENT "EXCESSIVE" PROFITS BY FOREIGN INVESTORS. THE NEW INDUSTRY MINISTER MAY VERY WELL HAVE GOTTEN SOME BAD REACTIONS TO HIS PREVIOUS COMMENTS, PROBABLY MADE OFF-THE-CUFF. THE POST INTERVIEW IS CAREFULLY PHRASED NOT TO SAY ANYTHING CONTROVERSIAL. END COMMENT.

3. ANOTHER GESTURE TOWARD FOREIGN INVESTORS WAS AN INTERVIEW GRANTED BY PRIME MINISTER SENI PRAMOT TO TWO OFFICERS OF THE AMERICAN CHAMBER OF COMMERCE IN THAILAND, PRESIDENT JAMES ROONEY AND EXECUTIVE DIRECTOR JACK SCOTT JUST BEFORE THEIR DEPARTURE FOR THE CHAMBER OF COMMERCE ANNUAL MEETING IN WASHINGTON. SENI, ALONG WITH COMMERCE MINISTER DAMRONG LATTHIIPHAT AND DEMOCRAT MP AND FORMER INDUSTRY MINISTER NITHIPHAT CHALICHAN, RECEIVED THE TWO BUSINESSMEN AT HIS HOME ON APRIL 22. SENI EMPHASIZED THE NEED FOR CAPITAL TO EXPAND THE INDUSTRIAL SECTOR IN ORDER TO PROVIDE JOBS FOR THE RAPIDLY-GROWING LABOR FORCE. HE COVERED MUCH OF THE SAME GROUND THAT CHATCHAI DID IN HIS PUBLISHED INTERVIEW PROFESSING HIS INTENTION TO EASE THE

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PROBLEMS FACED BY FOREIGN BUSINESSMEN IN SECURING RESIDENCE VISAS AND WORK PERMITS. REFERRING TO THE TEMCO CASE, SENI DENIED THAT THE DECISION TO REVOKE THE TIN CONCESSIONS, TAKEN DURING HIS SHORT TENURE AS PRIME MINISTRY LAST YEAR, WAS A FACTOR IN THE DECLINE IN FOREIGN INVESTMENT IN THAILAND. HE DEFLECTED FURTHER DISCUSSION OF THE CASE BY COMPARING IT TO THE CURRENT LOCKHEED SCANDALS AND SAYING THAT THERE WOULD BE NO LOCKHEEDS IN THAILAND. (COMMENT:

SENI AT THE TIME OF THE REVOCATION OF THE CONCESSIONS CLAIMED TO AMBASSADOR KINTNER THAT HE WAS GOING ALONG WITH THE DECISION RELUCTANTLY. BOTH DAMRONG AND NITHIPHAT WERE STRONG SUPPORTERS OF REVOCATION AT THE TIME. SENI'S CURRENT DEFENSIVE LINE ON TEMCO IS IN PART A REACTION TO OUTGOING SOCIAL ACTION PARTY FINANCE MINISTER BUNCHU'S DENUNCIATION OF THE DECISION TO REVOKE THE TEMCO CONCESSION (SEE REFTEL). END COMMENT)

4. SCOTT AND ROONEY IN SEPARATE CONVERSATIONS WITH EMBASSY OFFICERS EXPRESSED SATISFACTION WITH THE POSITIVE TONE OF SENI'S REMARKS. BOTH RECOGNIZE THAT THAIS ARE SKILLED IN TELLING FOREIGNERS WHAT THEY THINK FOREIGNERS WANT TO HEAR. SCOTT SAID THAT THE SIGNIFICANCE OF THE MEETING TO HIM WAS THE GRANTING OF IT IN THE FIRST DAYS OF THE NEW GOVERNMENT AND THE OBVIOUS DESIRE OF SENI TO REASSURE THE AMERICAN BUSINESS COMMUNITY OF HIS BELIEF IN THE NEED FOR FOREIGN INVESTMENT TO PROMOTE THAI ECONOMIC DEVELOPMENT.

5. ON APRIL 22, TWO EMBASSY OFFICERS MET WITH A SENIOR OFFICIAL OF THE INDUSTRY MINISTER, PRINCE PIRIYADIT DISAKUN, DIRECTOR OF THE MINISTRY'S INDUSTRIAL ECONOMICS AND PLANNING DIVISION. THE PRINCE OPPOSED THE TEMCO DECISION IN 1975 AS DID VIRTUALLY ALL OF THE CAREER OFFICIALS CONCERNED WITH THE MATTER. HE PLAYED A KEY ROLE IN SETTING UP THE OFFSHORE MINING ORGANIZATION, A GOVERNMENT CORPORATION WHICH TOOK OVER THE FORMER TEMCO LEASES AND HE SUPPORTED GRANTING A MANAGEMENT CONTRACT TO BILLITON. HE SAID THAT DESPITE THEIR PUBLIC DEFENSE OF THE TEMCO DECISION, THE DEMOCRATS PRIVATELY ACKNOWLEDGE THE HARMFUL EFFECTS IT HAS HAD. THIS HE SAID WAS A PRIME REASON THAT THE INDUSTRY MINISTRY HAD BEEN GIVEN TO SOMEONE NOT INVOLVED IN THE DECISION RATHER THAN TO THE FORMER DEMOCRAT MINISTER NITHIPHAT. (COMMENT: CONFIDENTIAL

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WITH THE NEED TO FIND MINISTERIAL PORTFOLIOS FOR A BROADER COALITION THAN WAS INCLUDED IN THE PREVIOUS DEMOCRAT-LED GOVERNMENT, THERE WAS JUST NOT THAT MUCH ROOM IN THE CABINET FOR AS MANY DEMOCRATS THIS TIME, BUT IT COULD BE SIGNIFICANT THAT NITHIPHAT DID NOT GET THE DEPUTY MINISTERSHIP EITHER. END COMMENT) PIRIYADIT SAID THAT THE FIRST MATTER WHICH THE SENIOR OFFICIALS OF THE MINISTRY INTENDED TO BRING BEFORE CHATCHAI WAS THE IMPLEMENTATION OF THE BILLITON MINING CONTRACT AND THE RELATED PROBLEM OF RESTORING LAW AND ORDER IN THE MINING AREAS. PIRIYADIT CONTENDED THAT IF THE GOVERNMENT HAD ANY MANDATE IT WAS TO RESTORE LAW AND ORDER AND ONE PLACE TO START WAS IN THE MINING AREAS WHERE THE SITUATION WAS WORST. THE PRINCE HAD NOT RED CHATCHAI'S STATEMENT IN THE PRESS THAT MORNING, BUT WHEN THE EMBASSY OFFICERS SUMMARIZED ITS MAIN POINTS HE SHRUGGED IT

OFF. HE SAID THAT THIS GOVERNMENT, WITH ITS LARGE MAJORITY, HAD THE OPPORTUNITY TO DO THE KINDS OF THINGS THAT CHATCHAI WAS TALKING ABOUT AND INDEED TO GO MUCH FURTHER ON FUNDAMENTAL REFORMS. BUT, WHEN HE LOOKED AT THE COMPOSITION OF THE CABINET HE WAS NOT HOPEFUL THAT ANY REAL PROGRESS WOULD BE MADE. "THIS IS A SMALL COUNTRY. WE KNOW EACH OTHER. WE KNOW THE KIND OF MEN THAT HAVE BEEN NAMED TO RUN THE GOVERNMENT. WHAT CAN PEOPLE WITH THEIR RECORDS DO ABOUT CORRUPTION? WHAT CAN MAKE THEM ACT TO ACHIEVE REAL REFORM?"

6. COMMENT: PRINCE PIRIYADIT'S PRIVATE DOUBTS PROVIDE A CONTRAST TO THE PUBLIC PRONOUNCEMENTS OF SENI AND CHATCHAI. OVER THE NEXT FEW MONTHS WE WILL HAVE THE OPPORTUNITY TO MEASURE PERFORMANCE ON KEY ISSUES AND JUDGE HOW IT COMPARES TO PUBLIC PRONOUNCEMENTS REASSURING FOREIGN INVESTORS.
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